



CPB Netherlands Bureau for Economic  
Policy Analysis

# CPB's role in the Dutch budgetary process

Wim Suyker

Masterclass public finance  
Erasmus University –  
Algemene Rekenkamer

28 November 2017



CPB Netherlands Bureau for Economic  
Policy Analysis



1. The role of independent fiscal institutes
2. CPB: history and legal position
3. CPB and the long budgetary cycle
4. CPB and the short budgetary cycle
5. Models required to do the job



# Checks and balances



Montesquieu

- Democracies have split in power: a legislature, an executive, and a judiciary. To prevent abuse of power.
- Nowadays more than *trias politica*:
  - Free press
  - Court of Audit
  - Council of State



# Checks and balances in fiscal policy

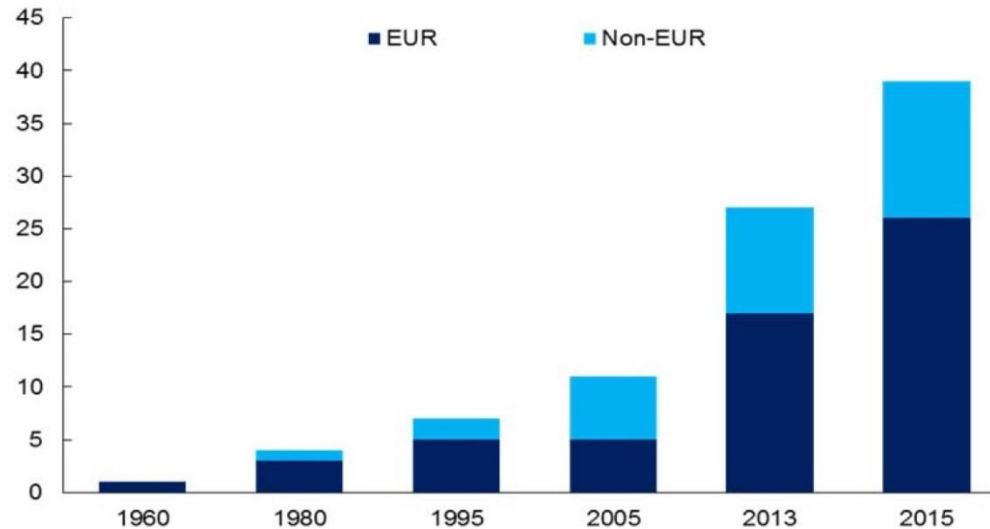


- Independent fiscal institutes: to increase transparency/ accountability and to strengthen the position of Parliament/ voters/public vis-a-vis government
- Moreover:
  - To reduce deficit bias / myopia
  - To reduce pro-cyclical



# Steep rise in number of fiscal institutes

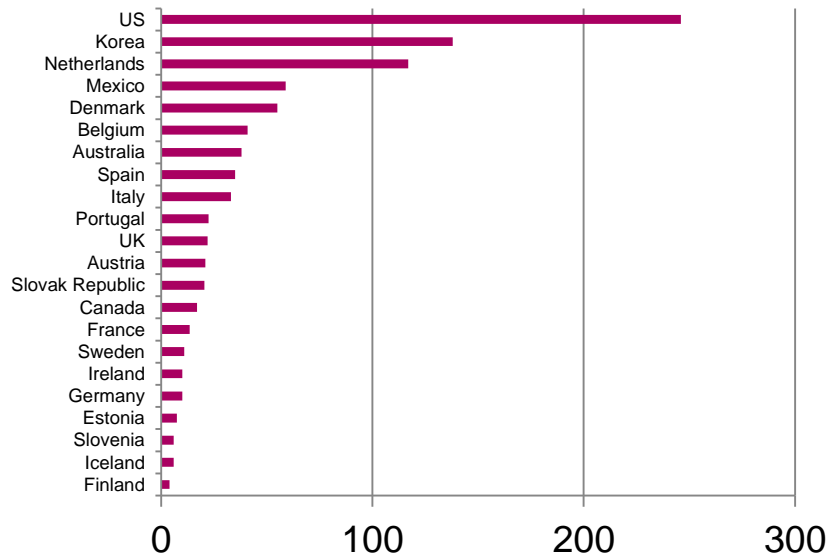
**Figure 1. Number of Independent Fiscal Councils in the World**



Source: Beetsma et al. (2017).



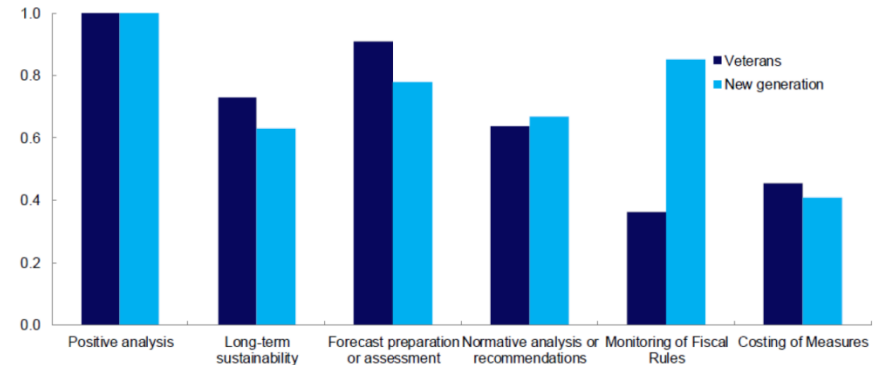
# Ifi's are heterogeneous



■ Staffing full-time

Source: OECD ifi database

Figure 3. The remit of Fiscal Councils  
(Relative frequencies in the sample)





CPB Netherlands Bureau for Economic  
Policy Analysis

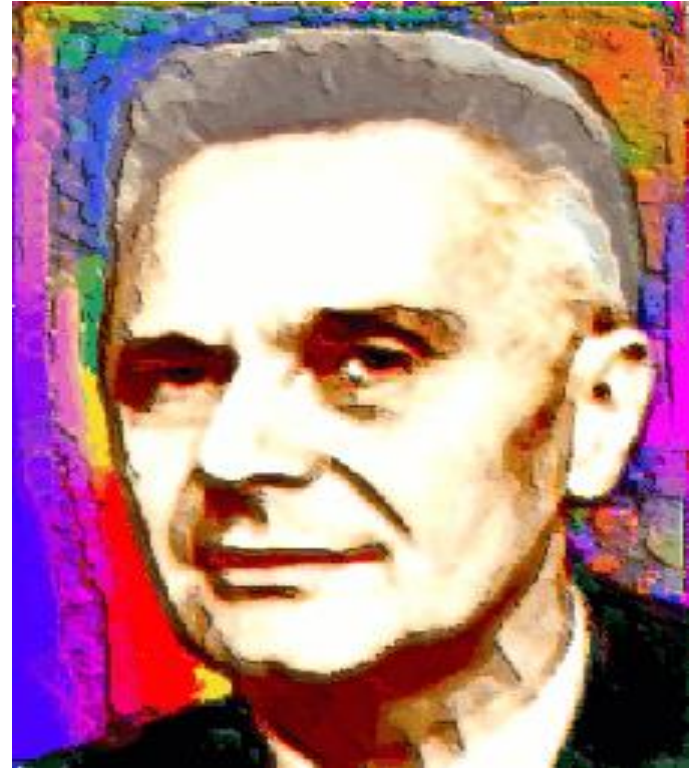


1. The role of independent fiscal institutes
2. CPB: history and legal position
3. CPB and the long budgetary cycle
4. CPB and the short budgetary cycle
5. Models required to do the job



## CPB: A 70 year long tradition

- Founded in 1945 by Jan Tinbergen, first Nobel Laureate in economics (1969)
- Legally established as 'Central Planning Bureau'
- However, from the start engaged in policy analysis, not planning.







# CPB Director appointed by Council of Ministers



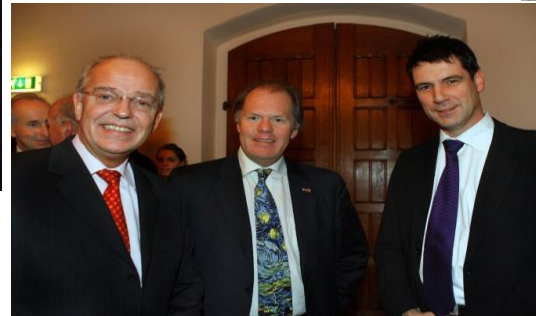
Tinbergen 1945-55   Polak 1955-57   De Wolff 1957-66



Van den Beld 1966-1984   De Ridder 1984-1989



Laura van Geest  
2013-....



Gerrit Zalm 1989-1994   Henk Don 1994-2006   Coen Teulings 2006-2013

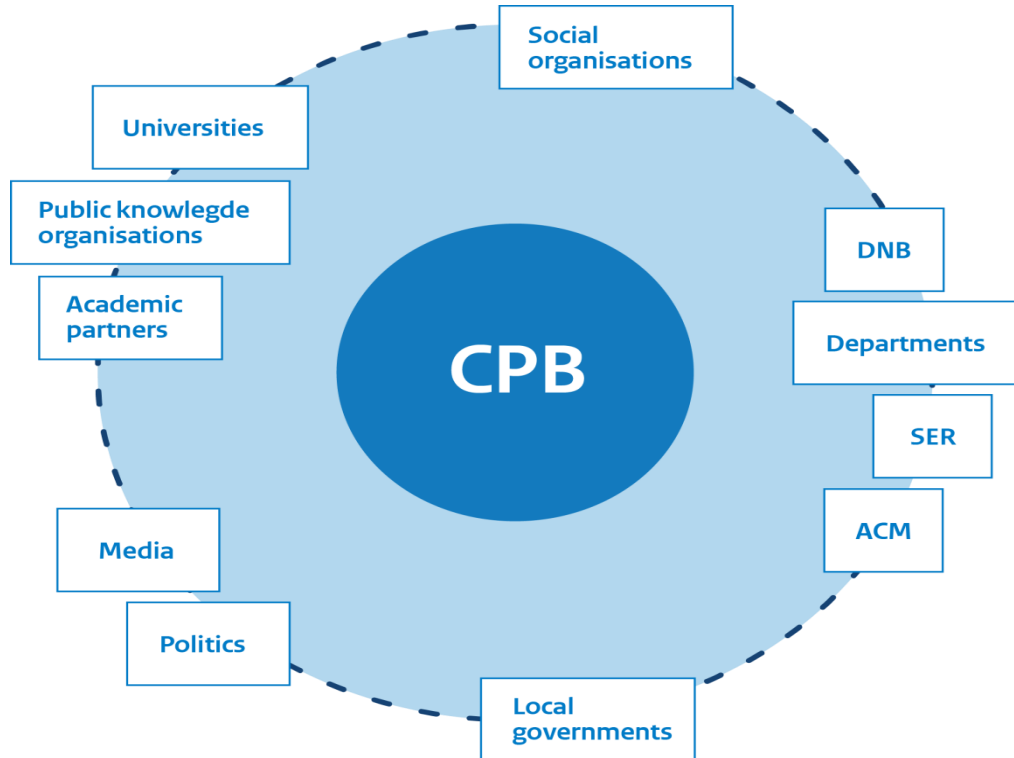


Staff: 130,8 fte (2016; appointed by Director)





# Stakeholders





## The four core values of CPB

CPB's goal for the medium term is to be a widely trusted source of policy relevant economic analysis, despite a polarizing society where authority of any institute is no longer a given.

Still, CPB is — and strives to remain — the leading institute for economic policy analysis in the Netherlands, and a source of inspiration abroad.

The goal is to be an effective provider of input for evidence-based policy making in this changing society, while being **impartial, independent, policy relevant** and **academically sound**



# Legal basis relevant; reputation crucial

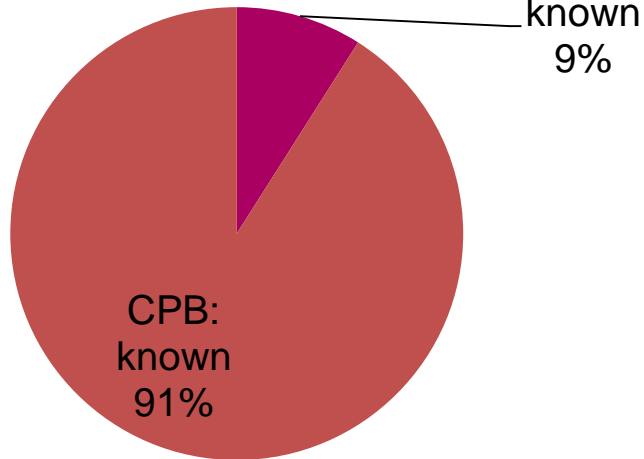
Legal basis:

- Wet Centraal Economisch Plan (1947; [link](#) )
- Aanwijzing voor de Planbureaus (2012, [link](#) )
- Wet houdbare overheidsfinanciën (2013, [link](#) )

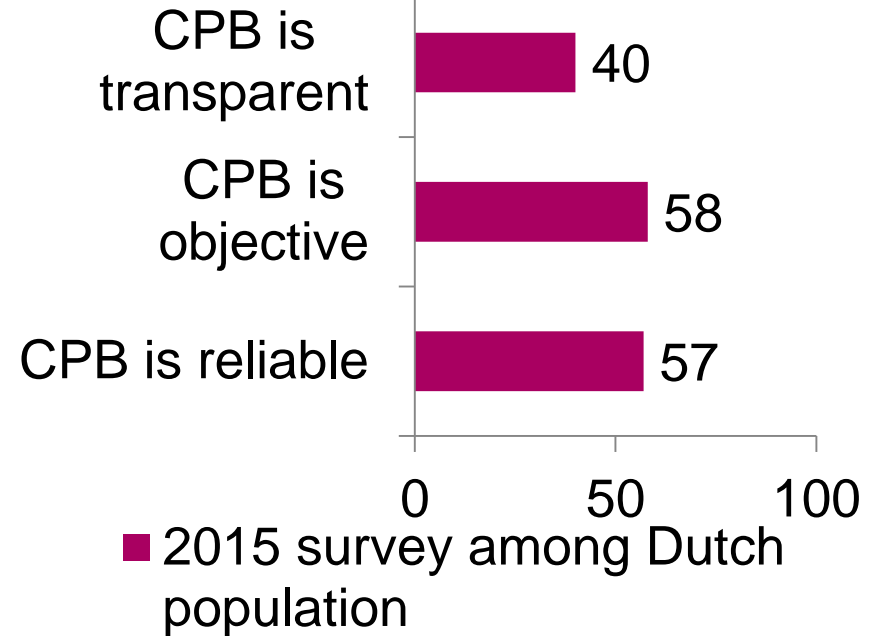


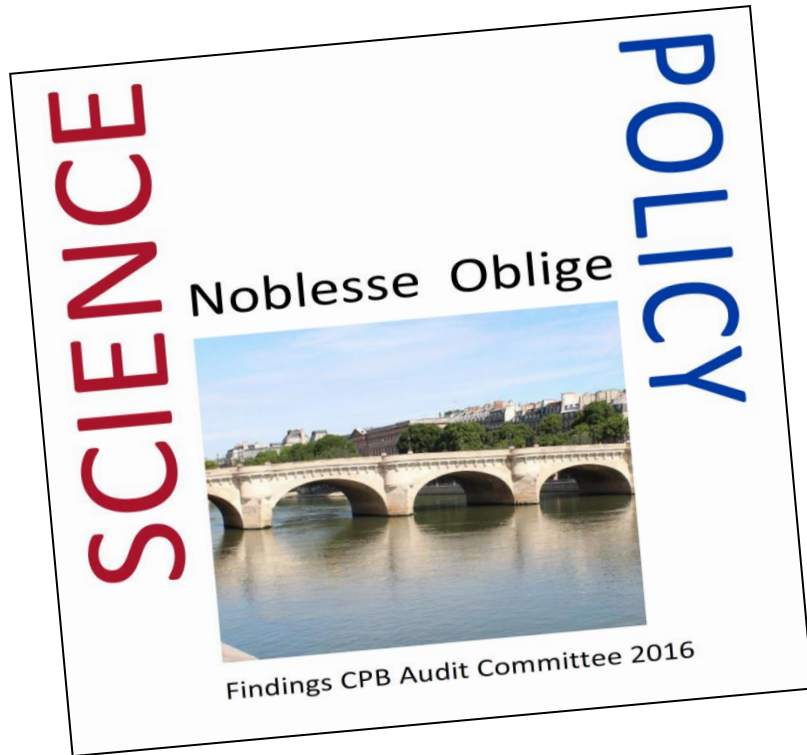
## Reputation is key

2015 survey among Dutch population



% of Dutch population





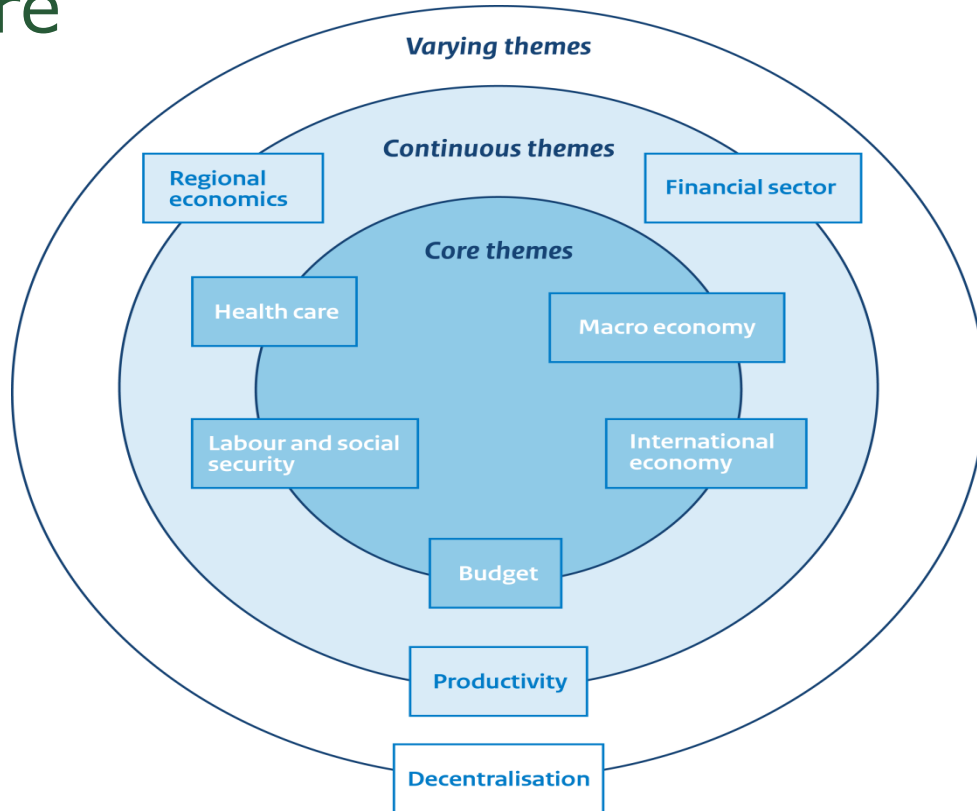
The Audit Committee's appraisal of CPB:

Applied scientific research:	<i>very good</i>
Societal relevance:	<i>excellent</i>
Long-term viability:	<i>good</i>

[\(link\)](#)



# Topics: more than public finance







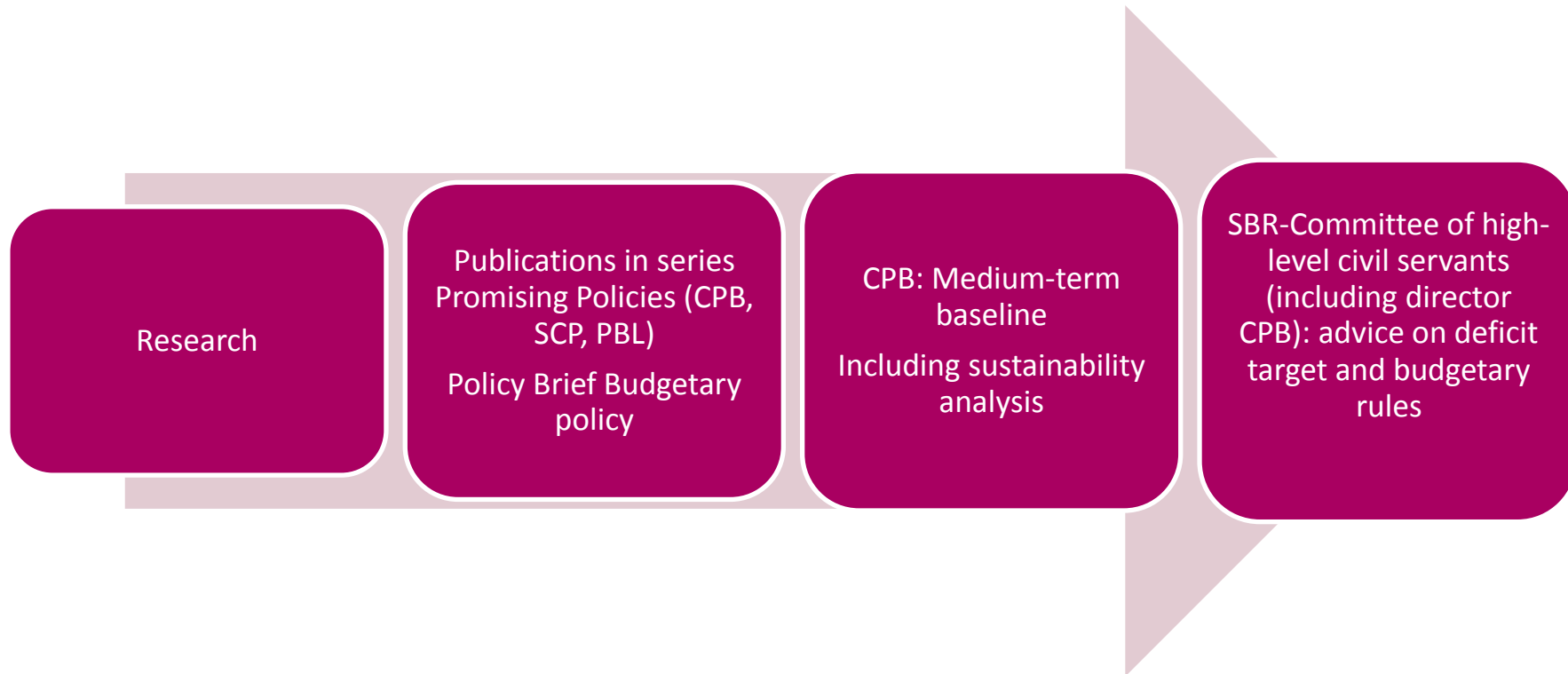
CPB Netherlands Bureau for Economic  
Policy Analysis



1. The role of independent fiscal institutes
2. CPB: history and legal position
3. CPB and the long budgetary cycle
4. CPB and the short budgetary cycle
5. Models required to do the job



# CPB and the long budgetary cycle





## CPB and the long budgetary cycle (2)

CPB analyses of the election manifestos





## CPB and the long budgetary cycle (3)

CPB analyses of the  
Coalition Agreement

Update medium-term  
outlook on the basis of  
the Coalition Agreement



# The recent long cycle: promising policies series



## Overview policy area

- Outcomes
  - Benchmark (international)
  - Existing policies
  - Survey literature
- 
- Policy options
    - Menu of options
    - Effects (trade offs)
  - [Labour market 1](#), [2](#), [Education](#), [R&D](#), [Housing](#), [Mobility](#), [Science policy](#), ([Health care](#))



# The recent long cycle: Policy Brief fiscal policy

## Opties voor begrotingsbeleid

De overheidsbegroting heeft een positieve invloed op de welvaart als het de conjunctuurgolven weet te dempen en daarbij de houdbaarheid van de begroting op lange termijn en een goede allocatie van middelen weet te borgen. De macro-economische stabilisatie is in het verleden herhaaldelijk niet gelukt: het begrotingsbeleid bleek procyclisch in plaats van anticyclisch.

Deze infographic toont voor de komende kabinetsperiode vier opties voor het begrotingsbeleid.

Begrotingsbeleid 1970-2014, exclusief neutraal beleid



### 1. Europese begrotingsregels als centraal richtsnoer



- Begrotingsproedracht: Commissie en Raad staat centraal
- Wordt jaarlijks vastgesteld
- Minimale mutatie structureel EMU-saldo
- Maximale stijging (gecorrigeerd) overheidsuitgaven

#### Consequenties in Den Haag

- Op basis van geschatte mutatie structureel EMU-saldo: kan van jaar tot jaar sterk verschillen, dit kan tot bestuurlijke onrust leiden
- Strookt niet met idee van beslissen vanuit middellange-termijnperspectief
- Strikt beleid op basis EU-begrotingsregels kan leiden tot houdbaarheidsoverschot en onevenredig beslag op huidige generaties

### 2. Buffer op voldoende afstand van 3%-tekort



- Automatische stabilisatoren kunnen conjunctuurgolven dempen
- Makkelijker aan Europese begrotingsregels te voldoen
- Beleid gericht op middellange termijn, bestuurlijke rust
- Meer mogelijkheden om economische schok op te vangen

#### Aandachtspunten bij opbouwen buffer

- Is in huidige economische situatie procyclisch, de mate waarin is afhankelijk van tempo en economische situatie
- Kan leiden tot houdbaarheidsoverschot en onevenredig beslag op huidige generaties

### 3. Houdbaarheid als anker



- Afspraken in coalitieakkoord
- Maatregelen voor wegwerken houdbaarheidskort-/surplus
- Bij coalitiebesprekingen naar middellangetermijn kijken
- Goed te combineren met trendmatig begrotingsbeleid (net als optie 2)

#### Effecten op macro-economische stabilisatie kunnen variëren

- Demping of versterking afhankelijk van geraamd houdbaarheidsaldo en daadwerkelijke conjunctuur
- Bij vlakke fasering is risico van procyclisch beleid geringer
- Automatische stabilisatoren werken daarbij altijd dempend
- Bij forse negatieve schok ad-hocbeleid eerder nodig dan in optie 2

### 4. Actief begrotingsbeleid



- Gericht op versnelde daling van de werkloosheid
- Begrotingsbeleid meer dan alleen automatische stabilisatoren
- In huidige situatie: uitgavenintensivering en lastenverlichting
- Kan ook via hogere overheidsinvesteringen lopen, zoals voorgesteld door IMF en OESO

#### Aandachtspunten

- Deel impuls lekt weg via binnenlandse besparingen en invoer
- De conjuncturele ontwikkeling is onzeker, maatregelen om daarop in te spelen kunnen te laat zijn
- Soms worden tijdelijke maatregelen bij hoogconjunctuur niet teruggedraaid → procyclisch beleid en houdbaarheidskort
- Kan middellangetermijnoriëntatie en Stabiliteits- en Groeipact doorkruisen en tot bestuurlijke onrust leiden
- Overheidsinvesteringen vergen lange voorbereiding en hebben dus niet direct effect

#### Afweging van de vier opties

Geen van deze vier opties presteert op alle facetten het best, zie de scorekaart hiernaast. Mengvormen zijn natuurlijk mogelijk. Bij de uiteindelijke politieke keuze dient meegewogen te worden dat begrotingsregels alleen werken als zij simpel, redelijk en geloofwaardig zijn.

Deze infographic is gebaseerd op de CPB Policy Brief 'Opties voor begrotingsbeleid' van het CPB. Voor de oorspronkelijke tekst, grafieken en de exacte gegevens, zie [www.cpb.nl/publicatie/opties-voor-begrotingsbeleid](http://www.cpb.nl/publicatie/opties-voor-begrotingsbeleid)

#### Scorekaart

Beleidsdoelstellingen	Optie 1	Optie 2	Optie 3	Optie 4
Stabilisatie	?	?	?	+
waarvan Regeerakkoord	+0	+	+	+
waarvan tijdens rit	+	+	+	-
Voldoen aan Europese regels	-	-	+	-
Houdbaarheid	-	-	+	-
Middellangetermijnoriëntatie / kwaliteit allocatie	-	+	+	-

[\(link\)](#)



# The recent long cycle: Outlook & Recommendation

- CPB Medium-term Outlook (March 2016) [\(link\)](#)

	2016	2017	2018	2019	2020	2021
	% of GDP					
<b>Gross government outlays</b>	43.8	43.4	42.8	42.5	42.2	41.9
<b>Taxes and social security contributions</b>	37.5	37.7	38.0	38.3	38.5	38.6
<b>Non-tax government income</b>	4.6	4.5	4.4	4.2	4.1	4.0
<b>General government budget balance</b>	-1.7	-1.2	-0.4	0.1	0.4	0.6
<b>Gross government debt (EMU)</b>	65.4	64.1	61.6	58.9	56.4	54.0

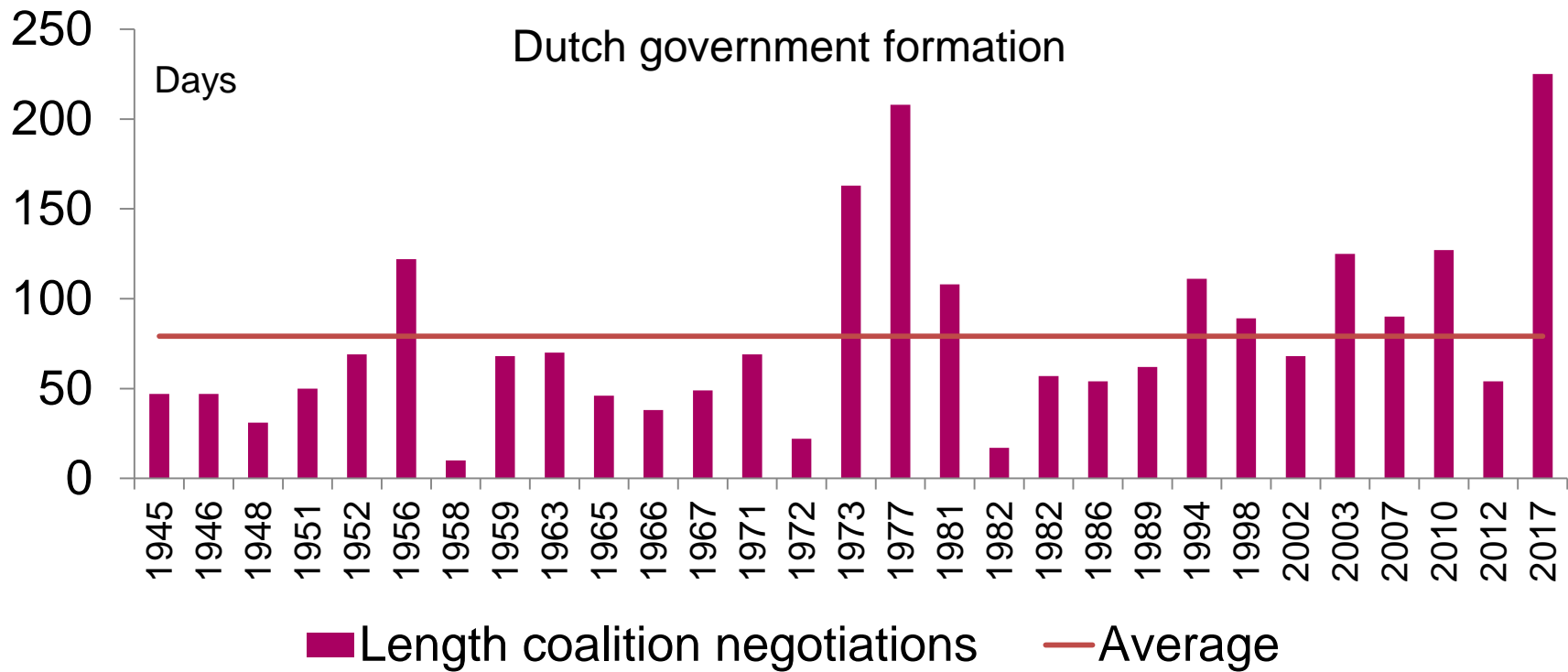
- Advisory group (incl. Director CPB): no need additional measures to improve budget balance vis-a-vis- projection of CPB Medium-term Outlook [\(link\)](#)



# The recent long cycle: Election manifestos [\(link\)](#)

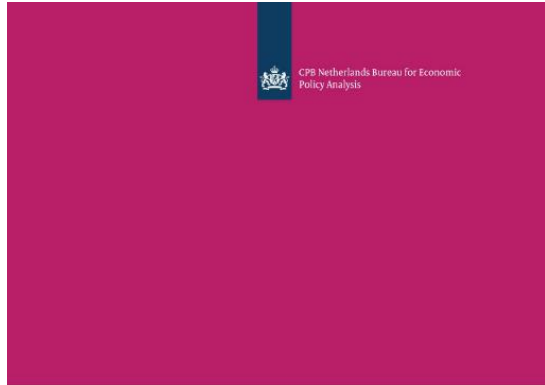
	Baseline	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
	compared to the baseline											
EMU balance (2021, ex ante, billion euros)	7.5	-7.7	-12.8	-11.8	-10.4	-9.2	-4.8	-11.7	-6.4	2.8	-8.4	-25.2
GDP volume (2021, %, a)	1.7	0.3	0.3	0.2	0.3	0.2	0.1	0.2	0.2	0.1	0.4	0.4
Employment (2021, percentage points)	5.5	-0.4	-1.1	-1.8	-1.0	-0.4	-0.3	-1.1	-0.8	-0.4	-0.4	-1.1
Consumer price index (2021, %, a)	1.3	0.0	0.3	0.0	0.2	0.3	0.3	0.6	0.4	0.1	-0.2	0.4
Employment market sector (2021, a)	0.5	0.3	0.1	-0.2	0.2	0.1	0.1	0.1	0.0	-0.1	0.2	0.2
Employment public sector (2021,a)	-0.1	0.0	1.8	0.5	0.9	0.9	-0.1	0.9	0.5	-0.5	0.0	-0.6
Employment health care (2021, a)	2.2	0.4	0.0	1.4	0.1	-0.3	-0.1	0.6	0.0	1.0	-0.2	0.3
Purchasing power (2021, a)												
The employed	0.0	1.2	1.1	2.0	0.7	0.8	1.0	1.3	1.0	0.2	2.2	4.8
Benefit recipients	-0.2	-1.2	1.0	3.2	0.1	0.2	0.5	1.3	-0.1	-0.1	0.0	1.1
Pensioners	-0.3	0.4	1.7	2.5	0.4	0.7	0.6	1.1	-0.2	0.0	0.3	0.5
All households	0.0	0.7	1.2	2.3	0.6	0.7	0.9	1.2	0.6	0.1	1.6	3.7
Lowest compared to highest incomes (b)	-0.3	-0.4	1.2	4.2	-0.7	0.1	-0.6	1.2	-0.9	0.5	-4.0	-1.0
Sustainability (% GDP)	0.4	-0.1	-1.1	-3.1	-0.8	-0.3	-0.2	-0.3	-0.3	-0.2	-1.0	-6.3
Structural employment (percentage points)		3.5	0.1	-4.6	-0.3	0.7	-0.2	0.3	-1.4	0.0	0.9	-4.8
Effects on distribution of income, after 2021 (c)	2.9	2.1	-5.7	-14.4	0.4	-1.7	-1.1	-6.0	0.0	-0.5	12.6	-4.4







# The recent long cycle: Coalition Agreement



CPB Communication | 2017, October 4

**Analysis economic  
and budgetary effects  
of the financial  
appendix to the  
Coalition Agreement**

[\(link\)](#)



# Finally: alternative package opposition parties



CPB Notitie | 8 november 2017

**Analyse economische  
en budgettaire  
effecten van pakket  
wijzigingsvoorstellen  
van GroenLinks, SP  
en PvdA op het  
Regeerakkoord**

Uitgevoerd op verzoek van de  
Tweede Kamerfracties van GroenLinks,  
SP en PvdA

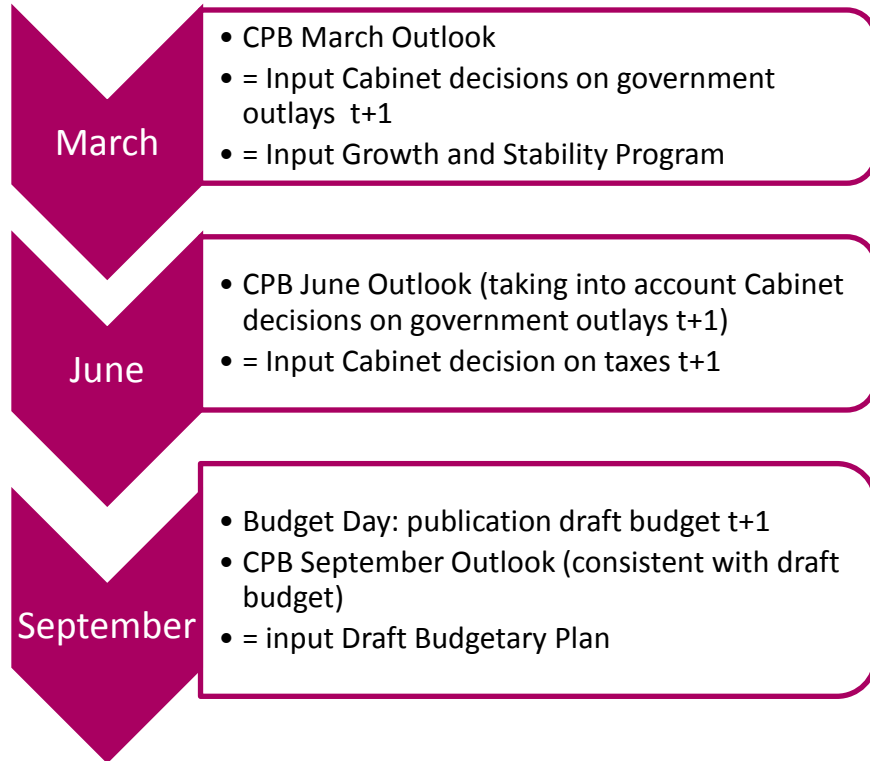
[\(link\)](#)



CPB Netherlands Bureau for Economic  
Policy Analysis



1. The role of independent fiscal institutes
2. CPB: history and legal position
3. CPB and the long budgetary cycle
4. CPB and the short budgetary cycle
5. Models required to do the job



- Providing the official economic projection used in the budgetary process
- Providing information on expenditure overruns and discretionary tax measure overruns. (Also done by Ministry of Finance)
- No explicit assessment of budgetary policy. No surveillance by CPB.
- New: providing the Council of State information needed for its budgetary surveillance (of the European rules)



## Moreover, CPB provides the numbers on (European) budgetary rules ....

- CPB simply provides the numbers. (And numbers can be powerful)
- CPB does not comment on numbers or draws policy conclusions.
  
- The Advisory Division of the Council of State has been designated as the body responsible for the independent monitoring of compliance with EU fiscal rules
- Their September 2015 report:
- *Even if the Commission's assessment of the structural deficit over 2016 shows that the Netherlands is complying with the working agreements concluded with the Commission this past spring, the deterioration of the budgetary outlook for 2015 and 2016 as a result of lost gas revenues and the recent package of measures for relief of the tax burden will still apply to the budget preparation for 2017 next spring. The rising structural deficit in 2015 and 2016 thus complicates the budget preparation for 2017.*



## CPB also provides sensitivity analysis ...

Consequences for the Netherlands of disappointing developments in the global economy and better-than-expected developments on the housing market; impact on annual growth and levels

	Disappointing world trade			Faster recovering housing market	
	2015	2016		2015	2016
Relevant world trade volume (excluding energy)	-0.2	-1.9		0.0	0.0
Competitor prices (excluding energy)	0.0	-0.3		0.0	0.0
Imported goods	0.0	-0.2		0.0	0.0
House prices	0.0	-0.5		0.4	1.7
Gross domestic product (market prices)	-0.1	-0.5		0.1	0.3
Household consumption	0.0	-0.1		0.1	0.5
Investments (including stocks)	0.1	-0.8		0.2	1.5
of which investment in houses	0.0	0.0		0.8	3.4
Exported goods and services	-0.2	-1.5		0.0	0.0
Imported goods and services	-0.1	-1.3		0.0	0.2
Employment (employment years)	0.0	-0.2		0.0	0.1
Unemployment percentage (% of GDP)	0.0	0.2		0.0	-0.1
EMU balance (% of GDP)	0.0	-0.2		0.0	0.2



# CPB provides detailed macro-economic forecast

...

	2012	2013	2014	2015	2016
	changes per year, in %				
<b>International economy</b>					
Relevant world trade volume of goods and services	1.4	2.2	3.9	2.8	5.4
Competitor prices (a)	5.3	-3.2	-1.3	7.5	0.7
Oil price (in USD per barrel)	111.7	108.7	99	57.2	60.1
Euro exchange rate (USD per euro)	1.28	1.34	1.33	1.1	1.09
Long-term interest the Netherlands (in %)	1.9	2	1.5	0.7	0.9
<b>Volume GDP and spending</b>					
Gross Domestic Product (GDP, economic growth)	-1.1	-0.5	1	2	2.4
Household consumption	-1.2	-1.4	0	1.6	1.9
Public consumption	-1.3	0.1	0.3	-0.4	0.8
Investments (including stocks)	-6.2	-5.3	2.7	6.5	6
Exportation of goods and services	3.8	2.1	4	3.7	5.1
Importation of goods and services	2.7	0.9	4	4.1	5.7
<b>Prices, wages and purchasing power</b>					
Price level Gross Domestic Product	1.4	1.4	0.8	0.8	1
Export prices goods and services, excluding energy	1.2	0.5	-0.7	1.6	1.1
Import price levels	3.2	-1.6	-3.1	-3	1.9
Inflation, Harmonised Index of Consumer Prices (HICP)	2.8	2.6	0.3	0.5	1.1
Contract wages market sector	1.6	1.2	1	1.3	1.4
Purchasing power, static, median all households	-2	-1.3	1.3	0.7	1.4

	2012	2013	2014	2015	2016
	changes per year, in %				
<b>Labour market</b>					
Labour force	1.5	0.8	-0.4	0.5	0.8
Working population	0.6	-0.8	-0.6	1	1.1
Unemployed labour force (x thousand persons)	516	647	660	620	605
Unemployed labour force (in % of labour force)	5.8	7.3	7.4	6.9	6.7
<b>Market sector (b)</b>					
Production	-1.2	-1.2	1.9	2.9	3
Labour productivity (per employment year)	-0.4	-0.2	1.8	2	1.7
Employment (in employment years)	-0.8	-1	0.1	0.9	1.3
Wage rate	2.5	1.7	1.9	0.8	2.6
Labour income share (in %)	78.6	79.8	79.4	77.2	77.5
<b>Other</b>					
Individual saving share (in % disposable income) (c)	-0.8	-0.4	0.8	0.6	0.5
Balance current accounts (in % of GDP)	10.2	11	10.6	10.9	10.7





# The official budgetary forecast

	2012	2013	2014	2015	2016
	level in % of GDP				
Public sector					
EMU balance	-3.9	-2.4	-2.4	-2.1	-1.4
EMU debt (ultimo year)	66.1	67.6	67.9	66.4	64.5
Collective financial burden	36	36.6	37.5	37	37.1

- CPB forecast of budget is not the official forecast of budget numbers. Official forecast = numbers of ministry of finance (based on CPB's macro-economic forecast)
- Divergence of CPB and ministry of finance numbers is awkward
- At least a good explanation of divergence is required.



CPB Netherlands Bureau for Economic  
Policy Analysis



1. The role of independent fiscal institutes
2. CPB: history and legal position
3. CPB and the long budgetary cycle
4. CPB and the short budgetary cycle
5. Models required to do the job



# Models required to do the job



1. Macro-economic model for the medium-term outlook (GDP, inflation, unemployment, government deficits) ([Saffier](#) )
2. Micro-simulation model for tax and social security system ([Mimosi](#) ); real disposable income growth by income group; income distribution
3. Behavioral micro-simulation model for tax and social security system ([Micsim](#) ); impact on labor participation
4. Housing market model ([WM](#))
5. A long-term model for ageing, pensions and public finances ([Gamma](#) )
6. Additional empirical results on behavioral effects not covered by models above

